

# **SMALL BUSINESS LOAN FUND CORPORATION**

## **MINUTES OF THE BOARD OF DIRECTORS**

**July 26, 2012**

### **PUBLIC SESSION**

A monthly meeting of the Board of Directors (the "Board") of the Small Business Loan Fund Corporation (the "Corporation") was held in public session at the offices of the Rhode Island Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, Rhode Island on Thursday, July 26, 2012, scheduled for 9:30 a.m., pursuant to notice of the meeting to all Directors, and public notice of the meeting as required by the By-Laws of the Corporation and by Rhode Island General Law 42-46-6.

The following Directors were present and participated throughout the meeting: Mr. Raymond Fogarty, Mr. Richard DeMerchant, Mr. William Parsons and Ms. Yahaira Placencia.

The following Director(s) were absent: Mr. Jose Monteiro

Also present were: Sean Esten, Corporation Administrator, Adam Quinlan, Corporation Administrator, Daniel Price, Corporation Administrator, Stacy Farrell, Corporation Secretary, Christopher Cannata, Corporation Staff, Denise Barge, Corporation Staff and Tom Moses, Esq., Legal Counsel, Moses & Afonso, Ltd.

Mr. Fogarty presided over the meeting.

**1. Call to Order.**

Mr. Fogarty called the meeting to order at 9:37 a.m.

**2. Approval of the Minutes of the Meeting held on June 27, 2012**

The first item to come before the Board was approval of the Minutes of the Board meeting held on June 27, 2012. Upon motion duly made by Mr. DeMerchant and seconded by Ms. Placencia, the motion to approve the Public Session Minutes and the Executive Session Minutes of the above noted meeting as presented was duly adopted.

The following Directors voted in favor of the foregoing: Mr. DeMerchant and Ms. Placencia.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: Mr. Monteiro

Mr. Parsons abstained from voting on the minutes as he was not present for the entire June meeting.

**3. Maintain the Executive Minutes of the June 27, 2012 meeting as Confidential**

The next item to come before the Board was a vote to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on June 27, 2012. Upon motion duly made by Mr. DeMerchant and seconded by Ms. Placencia, the motion to maintain the confidentiality of the Executive Session Minutes of the above noted meeting as presented was duly adopted.

The following Directors voted in favor of the foregoing: Mr. DeMerchant and Ms. Placencia.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: Mr. Monteiro

Mr. Parsons abstained from voting on the minutes as he was not present for the entire June meeting.

**4. Report of Cash Position as of June 30, 2012.**

Mr. Queenan asked if there were any questions or comments regarding the Cash Report for the period ended June 30, 2012 (Exhibit A). There being none, there was no further discussion on this report.

**5. Delinquency Loan Report as of July 17, 2012**

Mr. Esten asked if there were any questions regarding the Loan Delinquency report dated July 17, 2012 which includes the notes outlining the discussions of the subcommittee (Exhibit B). Mr. Fogarty referenced the *SBLFC Loan Charge-Off Historical Report* which was discussed at the Delinquency subcommittee meeting and was distributed as an exhibit to the subcommittee notes. He asked that staff provide some foot notes on this document which should make note that state funds were never provided for the program. Also he asked that it be noted that the prospects for funding must provide a bank rejection letter. Mr. Moses suggested that the report be represented with annualized figures. The report which was provided has percentages which represent only a few months in some cases. It was also suggested that staff look into what the average leverage was for the overall portfolio. There was no further discussion regarding this report.

**6. SBLFC Loan Reserve Allocation**

Mr. Esten presented the Board with a Memorandum outlining the suggested loan loss reserve allocation for Fiscal Year 2012 (Exhibit C). He stated that the delinquency subcommittee discussed this matter in detail. It was concluded at the meeting that the charge off rate has fluctuated over the life of the program due to economic factors. The subcommittee felt it would be adequate to take the average charge-off rate over the last three years and apply this percentage to the loan loss reserve for 2013. This translates to an 8% reserve of the current portfolio balance. It was noted that the figure could be adjusted throughout the year if necessary.

Upon motion duly made by Ms. Placencia and seconded by Mr. DeMerchant the motion to reserve 8% of the current portfolio balance for 2013 was duly adopted.

The following Directors voted in favor of the foregoing: Mr. DeMerchant, Mr. Parsons and Ms. Placencia.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: Mr. Monteiro

**7. Reallocation of SSBCI funds from SBLFC to Slater Technology Fund**

Mr. Queenan reminded the Board that the SBLFC had received \$1.5 million from the State Small Business Credit Initiative (“SSBCI”) to date. The first tranche received totaled \$4.1 million and was to be allocated over three partners. The remaining funds went to Slater Technology Fund, \$1.2 million, and BetaSpring, \$1.4 million. To date the SBLFC was only able to deploy \$300,000 of these funds. Under the agreement to receive the full \$13.1 million awarded, the three entities must deploy 80% of the \$4.3 million received in the first tranche in order to request an additional tranche of funds. Mr. Queenan indicated that the Slater Technology Fund had deployed its \$1.2 million and had a substantial pipeline with projects. He asked that the Board approve the reallocation of \$900,000 in SBLFC funds to Slater in order to help expedite the partner’s ability to draw down additional funds. The Board expressed some concern over reallocation of funds and questioned whether it had the authority to approve the moving of funds. Mr. Queenan provided a document from the U.S. Department of the Treasury which outlined the ability of the Board to do so (Exhibit D). He also noted that the intent was to keep the original allocation totals the same. It was his intention for SBLFC to still receive a total of \$2.1 million; however it would receive it in a later tranche than originally anticipated. The Board asked that staff request something in writing regarding its ability to move the funds from the US Treasury. Once received staff would be authorized to move the \$900,000 in funds to Slater.

Upon motion duly made by Mr. Parsons and seconded by Ms. Placencia the motion to approve the reallocation of \$900,000 in SSBCI funds to the Slater Technology Fund subject to written approval from the U.S. treasury to do so.

The following Directors voted in favor of the foregoing: Mr. DeMerchant, Mr. Parsons and Ms. Placencia.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: Mr. Monteiro

**8. Status discussion of Directors and Officers (D&O) Insurance**

Mr. Queenan noted that he was continuing the process of getting quotes for additional coverage, as well as reviewing any benefit to having SBLFC carry its own policy. He also noted that the current policy which had been in place and covered multiple

boards was nearing expiration. Mr. Queenan stated that he would update the board throughout the process. There was no further discussion regarding this matter.

## **9. Other Business**

There was no further business to come before the Board.

## **Executive Session**

Mr. Fogarty suggested that the Board move into executive session. Upon motion duly made by Ms. Placencia and seconded by Mr. Parsons, the motion to move the meeting into executive session pursuant to Rhode Island Open Meetings Law 42-46-5(a)(6) of the General Laws of the State of Rhode Island, as amended, was duly adopted.

The following Directors voted in favor of the foregoing: Mr. DeMerchant, Mr. Parsons and Ms. Placencia.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: Mr. Monteiro

Public session concluded and executive session began at 10:23 a.m.

## **10. Executive Session Vote Ratification**

Mr. Fogarty called for ratification of the votes adopted during Executive Session. Upon motion duly made by Mr. Parsons and seconded by Mr. DeMerchant, the following votes were ratified:

- (a) To approve the request of The Audette Group for a \$100,000 loan and to table the additional request for a \$150,000 loan subject to additional information as outlined in executive session. .
- (b) To approve the request of Valley Fuel Inc. / Warwick Oil for a \$125,000 loan
- (c) To confirm the loan denials of the following companies:
  - Wide World of Indoor Sports.- \$250,000

The following Directors voted in favor of the foregoing: Mr. DeMerchant, Mr. Parsons and Ms. Placencia.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: Mr. Monteiro

## **11. Adjournment**

There being no further business to come before the Board, Mr. Fogarty called for a vote to adjourn the meeting. Upon motion duly made by Mr. Parsons and seconded by Mr. DeMerchant, the motion to adjourn the meeting was duly adopted.

The following Directors voted in favor of the foregoing: Mr. DeMerchant, Mr. Parsons and Ms. Placencia.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: Mr. Monteiro

The meeting was adjourned at 11:15 a.m.

Respectfully submitted,

/s/ Stacy Farrell  
Stacy Farrell, Secretary